UNITED NATIONS

ECONOMIC AND SOCIAL COUNCIL

Distr.
GENERAL

E/CN.14/760
E/CN.14/WP.1/121
21 February 1980

ENGLISH
Original: FRENCH

ECONOMIC COMMISSION FOR AFRICA
ORGANIZATION OF AFRICAN UNITY

Intergovernmental meeting of Experts
preparatory to the sixth session of the
Conference of African Ministers of Trade

Addis Ababa, 10-16 March 1980

Sixth Session of the Conference of African
Ministers of Trade

Addis Ababa, 17-22 March 1980

ECONOMIC COMMISSION FOR AFRICA

Fifteenth session of the Commission/
Sixth meeting of the Conference of
Ministers

Addis Ababa, 9-12 April 1980

INTERNATIONAL ECONOMIC RELATIONS AS FACTORS IN AFRICAN DEVELOPMENT

80-440

TABLE OF CONTENTS

	Paragraphs	Page
INTRODUCTION	1 - 3	1
PART ONE		
Review of the principal results of major recent or on-going international economic negotiations	4	1
Section I		
Fifth session of the United Nations Conference on Trade and Development	5 - 65	1
Section II		
Other international economic negotiations	66 - 88	10
PART TWO		
Assessment of the impact of international negotiations on African development and elements of a new strategy	89 - 90	13
Section I		
Assessment of the impact of the results of international negotiations on African development	91 -136	13
Section II		
Need to review the strategy and tactics followed to date	137 -144	19
Section III		
Elements of a new strategy	145 -153	20
Final remarks	154 -155	21

INTERNATIONAL ECONOMIC RELATIONS AS FACTORS IN AFRICAN DEVELOPMENT

INTRODUCTION

1. In resolution 346(XIV) adopted at its fifth meeting held at Rabat in March 1979, the Conference of Ministers of the Economic Commission for Africa requested the Executive Secretary of ECA to examine, in co-operation with the Administrative Secretary-General of the Organization of African Unity, the need for convening a meeting of African Ministers of Trade to undertake an evaluation of the outcome of the fifth session of the United Nations Conference on Trade and Development which was to be held in Manila in May 1979.

2. This document has been prepared pursuant to that resolution, but its scope has been expanded to include an assessment of other major international negotiations in such a manner as to lay a sound basis for formulating some of the elements of a new African strategy for negotiation and development.

3. The first part of this document therefore includes, in addition to the assessment of the outcome of the fifth session of UNCTAD, an analysis of the results of the following international negotiations: Tokyo Round multilateral trade negotiations, reform of the international monetary system, the second ACP-EEC Lomé Convention and African Regional Meeting on Economic Co-operation among Developing Countries. It also contains an analysis of the operation of the generalized system of preferences. The second part is devoted to an assessment of the impact of these international negotiations on African development. In view of the limited results or the failure of almost all major international economic negotiations, this document strives to propose some elements to which great attention should be paid when a new African strategy in the field of international economic relations is being defined.

PART ONE

Review of the principal results of major recent or on-going international economic negotiations

4. The aim of this part is to identify the main results of major international negotiations in order to have a sound basis for assessing the contribution that these negotiations may have been able or could make to African development. From this standpoint, particular attention will be paid to those themes of these negotiations which are of direct interest to Africa and also to the most important decisions emerging from the negotiations.

Section I

Fifth session of the United Nations Conference on Trade and Development

A. Fundamental issues

5. The fifth session of UNCTAD did not reach any agreement on the fundamental issues brought before it, concerning the restructuring of the present system of economic relations between developed and developing countries. These questions dealt essentially with adjustments required in structure of the world economy and in the principles and rules governing international economic relations, in particular in the following fields: world trade in manufactures and semi-finished goods, the international monetary and finance system, legal framework for the transfer of technology, trade relations among countries having different economic and social system and multilateral trade negotiations.

6. Developing countries, which expected concrete measures from developed countries, have had to face partners who were on the defensive and who were more concerned with their own economic and social problems, since the uncertainties of the world economic situation gave them no incentive to commit themselves financially or legally. The Conference therefore referred the questions outlined above or the draft proposals to the permanent machinery of UNCTAD, particularly to the Trade and Development Board.

B. Specific issues

7. In a certain number of areas which have been the object of negotiations for many years, the Conference made decisions that were positive although of limited scope in substantive terms.

(1) International trade

8. In this field the Conference adopted two resolutions concerning the rise in protectionism and the issue of structural adjustments in international trade.

9. The Conference requested the Trade and Development Board to continue to review developments involving restrictions of trade, with a view to formulating appropriate recommendations concerning the general problem of protectionism.

10. The Conference also invited GATT to examine any case of future protective action developed against imports from developing countries.

(2) Commodities

(a) Integrated programme for commodities /resolution 124(V)/

(i) Common Fund

11. The Conference calls upon all member States to participate actively in the Interim Committee and exert all necessary efforts to ensure that the Committee completes the drafting of the articles of agreement of the Common Fund and other tasks assigned to it as early as possible in order to permit the reconvening of the Negotiating Conference before the end of 1979.

(ii) Preparatory meetings on commodities

12. The Conference requests member States to speed up the negotiations on commodity agreements and further invites members of existing agreements and arrangements to consider their association with the Common Fund.

(b) Complementary facility for commodity-related shortfalls in export earnings /resolution 125(V)/

13. A proposal by the Group of 77 for the establishment of this facility met with strong opposition from Group B. In spite of this opposition, however the Conference adopted a resolution requesting the Secretary-General of UNCTAD to prepare a detailed study for the operation of such a facility. The facility should be additional to the improvement of the Compensatory Financing Facility of IMF, other facilities to actions taken under the Integrated Programme for Commodities to deal with the problem of price stabilization in real terms.

(c) Other resolutions

14. The Conference adopted three other resolutions with regard to commodities. One of these resolutions concerns the convening of further preparatory meetings and a negotiating conference on tungsten before the end of 1980: the second resolution deals with the resumption of negotiations for the replacement of the 1971 International Wheat Agreement. Finally in a third resolution, the Conference urged that investment and technical assistance by the developed countries be increased in order to accelerate food production in developing countries, and that developing countries' exports of food and food products be increased.

(3) Restrictive business practices [resolution 103 (V)]

15. In view of the particularly harmful effects of restrictive business practices on the development of developing countries, and particularly in the production and marketing of manufactured and semi-finished goods by developing countries, the Conference without dissent adopted resolution 103(V) in which it decided to hold the United Nations Conference on Restrictive Business Practices in the last quarter of 1979. This Conference was in fact held at Geneva from 19 November to 7 December 1979.

16. Resolution 103(V) also requests the Secretary-General of UNCTAD to continue work on the elaboration of a model law or laws on restrictive business practices, in order to assi developing countries in devising appropriate legislation.

(4) Monetary and financial issues

17. The Conference adopted two resolutions concerning international monetary reform and the transfer of real resources to developing countries.

(a) International monetary reform [resolution 128(V)]

18. On the basis of the draft resolution submitted by the Group of 77, the Conference outlined the features which a viable international monetary system must have and decided to establish a group of experts to examine the problems of the international monetary system; it also made recommendations concerning the selling of quotas of members of IMF and the conditions under which the resources of the Fund should be used.

19. The Conference also recommends that, conditionality should be applied in a flexible and appropriate manner taking into account the social and economic priorities of countries members of the Fund and their circumstances, including the causes of balance-of-payments problems.

20. The Conference decided to establish within UNCTAD an ad hoc intergovernmental high-level group of experts to examine trends in the international monetary system.

21. The majority of countries members of Group B voted against the resolution on the grounds that certain declarations of principle and other provisions contained in the resolution brought into question the autonomy, competence and the articles of IMF. These countries also added that they did not believe that the international monetary system could of itself, increase the flow of real resources to developing countries.

(b) Transfer of real resources to developing countries /resolution 129(V)/

22. The Conference adopted a resolution on the transfer of real resources to developing countries without dissent. However within the context of ODA, the resolution does not entail any new financial commitment, particularly in quantitative terms.

23. The Conference urged donor countries to increase their ODA to achieve the set target of 0.7 per cent of GDP attained.

24. With regard to multilateral assistance, the Conference recommends an increase of the capital base of the World Bank and the resources of regional development banks. It also stresses the need to grant loans on concessional terms to developing countries.

25. With regard to private flows, the Conference requested that the recommendations of the Development Committee should be implemented so as to facilitate access of developing countries to private capital markets.

26. The Conference finally stressed the need to accelerate the work on a code of conduct relating to transnational corporations.

(5) Technology

27. In the field of technology the Conference without dissent adopted three resolutions relating to the contribution of UNCTAD to the on-going revision of the industrial property systems, the strengthening of technological capacity of developing countries and development aspects of reverse transfer of technology.

(a) Contribution of UNCTAD to economic, commercial and development aspects of the industrial property system in the context of its on-going revision /resolution 101(V)/

28. In the course of the first six revisions of the Paris Convention, developing countries played only a marginal role, and the result of these revisions was essentially to strengthen the position of patent-holding countries. The revision currently being undertak within WIPO deals almost exclusively with patents; the provisions of the Convention relative to trade marks were hardly discussed, except for the conflict between trade marks and applications of origin.

29. The Conference invites the Secretary-General of UNCTAD to continue his studies on the economic, commercial and developmental aspects of industrial property. It also requests him to develop the activities of UNCTAD including technical assistance, in providing its contribution on the function of the industrial property system in the transfer of technolo and in the definition of the main lines of its revision, related to economic, commercial and development aspects.

30. The resolution adopted by the Conference took account of proposals formulated by the Group of 77 in the Arusha Programme.

(b) Strengthening of the technological capacity of developing countries including accelerating their technological transformation /resolution 112(v)/

31. The Conference recommends four areas of action within the framework of an overall development strategy.

(i) Action to strengthen the technological capacity of developing countries and thereby to accelerate their technological transformation

32. The Conference recommends action by developing countries at the national level; co-operation among developing countries within the framework of the Buenos Aires Declaration and Programme of Action on Technical Co-operation among Developing countries; co-operation from developed countries; co-operation among all countries.

(ii) Contribution by UNCTAD

33. With regard to UNCTAD's contribution, in co-operation with other appropriate United Nations agencies, particularly UNIDO, the Conference recommends that action be taken in specific areas and sectors of crucial importance to developing countries; studies and reports on areas not yet examined; technical and operational assistance by the Advisory Service of Transfer of Technology; the formulation of a strategy for the technological transformation of developing countries.

34. Concerning specific areas and sectors, the Secretary-General of UNCTAD is requested, in co-operation with UNIDO and other relevant United Nations bodies, to organize and convene between the fifth and sixth sessions of the Conference up to three meetings of experts in order to identify problems and issues concerning the transfer, application and the development of the technologies relating to the following areas and sectors: food processing, energy, capital goods and industrial machinery.

(iii) The United Nations Conference on Science and Technology for Development

35. Weighing the importance of the contribution that the United Nations Conference on Science and Technology for Development could make in strengthening the technological capacities in developing countries, the fifth session recommends that UNCTAD should, within its areas of competence, actively participate in the preparatory process and, whenever decisions to implement the programme of action to be drawn up by that conference should require it, in its implementation.

(iv) Environmental aspects of technology

36. The Conference invites the Secretary-General of UNCTAD to continue his co-operation with the United Nations Environment Programme (UNEP) in this field, with emphasis on further work concerning technological alternatives and their effects on environment.

(c) Development aspects of the reverse transfer of technology /resolution 102(V)/

37. In view of the fact that the problem is a multifaceted one, encompassing social, economic and development issues and political, civil and human aspects, the Conference, in its resolution, requested the Secretary-General of UNCTAD to continue his studies, in collaboration with other agencies concerned, on the following main areas:

(a) The experiences and policies of individual countries belonging to different geographical areas to and from which skill flows take place;

(b) The modalities for co-operation at a bilateral, regional and international level;

(c) The examination of the feasibility of various proposals made hitherto regarding co-operative exchange of skills among developing countries.

(6) Shipping

38. Three resolutions were adopted by the Conference in the field of shipping.

(a) Developments pertaining to the Convention on a Code of Conduct for Liner Conferences /resolution 106(V)/

39. The Conference invites Governments of States members of UNCTAD which are not yet Contracting Parties to the Convention to take immediate steps to become parties to it. It also calls on Governments of States members which are Contracting Parties to the Convention to take all necessary measures towards the early implementation of the Code.

40. The Conference urges developing countries to co-operate to increase the competitiveness of their fleets in relation to those of traditional shipping nations and to counterbalance the monopolistic power of Liner Conferences.

41. It requests the UNCTAD secretariat, in co-operation with regional commissions of the United Nations to review and update its studies on the level and structure of conference tariffs bearing in mind in particular the interests of developing countries.

(b) Participation of developing countries in world shipping and the development of their merchant marines /resolution 120(V)/

42. The Conference calls on Governments to take steps to ensure for developing countries equitable participation in the transport of all cargoes. It recommends the application of certain principles which should be observed in order to ensure equitable participation by developing countries in world shipping, as well as co-operation among developing importing and exporting countries in joint cargo operations.

43. The Conference requested the secretariat of UNCTAD, in co-operation with other appropriate organs, to undertake a programme of studies on the ways and means by which developing countries could develop their merchant marines and participate in shipping to a greater extent.

(c) Ship financing and technical assistance /resolution 121 (V)/

44. The Conference requests Governments of member States and international financial institutions to grant aid to developing countries for the purchase of ships and for the improvement and development of port facilities and infrastructure. It calls upon developed and developing countries to encourage the establishment of joint ventures among their shipping lines.

45. The Conference also calls upon developed countries to provide technical assistance in the maritime field to developing countries concerned, and invites UNDP to consider providing resources for UNCTAD and other appropriate organizations for the provision of technical assistance to developing countries.

46. Noting that the lack of competently prepared feasibility studies is sometimes an important restricting factor on ship finance, the Conference requests the Secretary-General of UNCTAD to establish an ad hoc limit within UNCTAD to assist developing countries.

(7) Least developed among developing countries

47. In spite of the reservations made by Group D and certain countries members of Group B, the Conference reached an agreement on this subject which, on the whole, was in line with the relevant proposals of the Arusha Programme.

Comprehensive New Programme of Action for the least developed countries /resolution 122 (V)/

48. The Conference decides to launch a substantially expanded programme, with both immediate and longer-term phases to be known as the Comprehensive New Programme of Action for the Least Developed Countries.

49. Phase one: An Immediate Action Programme (1979-1981) of greatly expanded assistance for the least developed countries aimed at (1) providing an immediate boost to their economies and immediate support for projects for the provision of the most pressing social needs, and (2) paving the way for much larger longer-term development efforts.

50. Phase two: A Substantial New Programme of Action for the 1980s for the least developed countries with the objective of transforming their economies toward self-sustained development and enabling them to provide at least internationally accepted minimum standards of nutrition, health, transport and communications, housing and education, as well as jobs opportunities.

51. Concerning the general policies of financial assistance, the Conference urges all donor countries which have not yet reached the 0.7 per cent of GNP target to increase effectively and substantially their ODA towards this target. Equitable efforts should be made by donor countries with a view to doubling as soon as possible the flow of ODA to the least developed countries and alleviate the debt burden of this category of countries.

52. In two resolutions concerning the economic situation of Tonga /resolution 117(V)/, and the Republic of Djibouti, /resolution 118(v)/, the Conference recommended to the appropriate organs of the United Nations system that these two countries be included in the category of the least developed countries.

(8) Land-locked and island developing countries

53. The Conference adopted without dissent two resolutions concerning these two categories of countries. The two resolutions in almost all aspects repeat the proposals of the Group of 77 contained in the Arusha Programme.

(a) Specific action related to the particular needs and problems of island developing countries /resolution 111(V)/

54. The Conference urges that specific action in a variety of areas in favour of island developing countries should be undertaken, within the framework of their development plans and priorities, and technical and financial assistance provided by developed countries and multilateral financial and aid institutions.

55. The Conference requested UNCTAD to conduct, in co-operation with regional and other competent institutions, in-depth studies, to analyse the common problems of island economies and constraints inhibiting their economic growth and development.

It recommended that the outcome of the above-mentioned studies be considered by the Governments concerned as the basis for follow-up action, which could involve meetings of representatives from island developing countries with a view to proposing concrete specific actions.

(b) Specific action related to the particular needs and problems of land-locked developing countries /resolution 123 (V)/

56. The Conference reiterated the need for specific action in favour of land-locked developing countries. The aims of this specific action are: to reduce the costs of access for land-locked developing countries, to the sea and to world markets; to improve the quality, efficiency and reliability of transit-transport services; and to restructure the economies of the land-locked countries to alleviate their geographic handicaps.

57. It also reaffirms that multilateral and bilateral financial institutions should further intensify their efforts in raising the flow of resources for the overall economic development related to the specific needs of the land-locked developing countries.

58. The Conference urges the international community to give financial and technical support to specific programmes in all fields of direct and transit transport. It urges the international community and particularly developed countries to contribute to the United Nations Special Fund for Land-locked Developing Countries. It invites UNDP and multilateral, bilateral and other financial institutions to increase their assistance to land-locked develo ng countries.

(9) Economic co-operation among developing countries /resolution 127 (V)/

59. On this question, the points on which no agreement was reached included the interpretation given to the application of UNCTAD's "principle of universality"; the role of which should be assigned to UNCTAD in relation to other United Nations bodies in fostering economic co-operation among developing countries; the preparation of an acceptable programme of priorities; the kind of support which may be expected from the developed countries, apart from the support of international organizations; the principle that the design and implementation of such co-operation measures and programmes should be the exclusive prerogative of the developing countries themselves.

60. In the resolution which was adopted without dissent, the Conference is mindful of the fact that co-operation among developing countries is a key element in the strategy of collective self-reliance and an essential instrument to provide structural changes contributing to a balanced and equitable process of global economic development.

61. The Conference urges that the developed countries and the international organizations provide appropriate support and assistance to the process and activities of economic co-operation among developing countries bearing in mind Arusha Action Plan and its principles and objectives of economic co-operation among developing countries. The developed countries are also urged to intensify their contribution to the full implementation of the relevant resolutions of the General Assembly, UNCTAD and other organizations of the United Nations system on economic co-operation among developing countries.

62. The Conference invites the specialized agencies and other organizations of the United Nations system, as and when requested, to provide the necessary secretariat support services and other suitable arrangements to facilitate the holding of meetings by the developing countries in pursuance of the objectives of economic co-operation among developing countries. It invites UNDP to increase its financial assistance for economic co-operation among developing countries.

63. As regards the role of UNCTAD, the Conference considers that UNCTAD should play within its competence a significant support role to economic co-operation among developing countries. Furthermore, the Conference agrees that UNCTAD's work programme on economic-co-operation among developing countries should take due account of the relevant recommendations and decisions of the Fourth Ministerial Meeting of the Group of 77 held at Arusha in February 1979.

(10) Institutional problems /resolution 114 (V)/

64. The Conference adopted a resolution inviting the General Assembly of the United Nations to take necessary actions for strengthening UNCTAD, taking into account the mandates of other international organizations and bodies. It also made specific recommendations to rationalize UNCTAD's machinery. An ad hoc committee was established to this end, which should study the question and submit its report to the Trade and Developmetn Board.

11. Other business

65. The Conference adopted a number of resolutions on other matters such as protectionism in the services sector, the particular problems facing Zaire, exploitation of the resources of the sea-bed and ocean floors, assistance to national liberation movements recognized by regional intergovernmental organizations, and the offer of the Republic of Cuba to host the sixth session of UNCTAD.

Section II

Other international economic negotiations

(1) The Tokyo Round of Multinational Trade Negotiations (MTN)

66. After six years of negotiations the MTN have led to agreements on tariff reductions, a few tariff concessions on tropical products exported by developing countries and a series of codes relating to non-tariff measures (determination of customs value, state markets, import licences, subsidies and compensatory charges, technical obstacles to trade); changes were made in the anti-dumping code and arrangements were negotiated on the beef and diary products trade.

67. The tariff reductions granted by the major industrialized countries go beyond a one-third average reduction and have led to the harmonization of national tariff structures.

68. Non-tariff measures apply more extensively to agricultural products than in all previous negotiations.

69. The contracting parties agreed that the rights and advantages existing in context of the General Agreement on Tariffs and Trade including rights and advantages under article 1, would not be affected by agreements arising out of the MTN.

(2) Reform of the international monetary system

70. In this field, it should be noted that during the last annual meetings of IMF and the World Bank, the African Group based its claims on specific problems in the operations of these two international institutions.

71. Thus, in the field of the international monetary system and particularly as regards the supplementary financing facility, the African countries stated that they were satisfied with the right accorded them to effect drawings equivalent to 300 per cent of their quota. However, in spite of efforts made by these countries, this facility is still subject to the same conditionality as the confirmation agreements in the upper credit tranches of the extended facility.

72. With regard to the compensatory financing facility, the African Group also noted with some satisfaction the relaxation of the system which has resulted in increasing drawings from the former ceiling of 75 per cent to 100 per cent of the quota. However, the African countries stressed the need for further action in this direction taking into consideration their economic trends.

73. Lastly, the creation of a subsidy fund and a substitution account was envisaged and is under consideration. The African countries endorsed these proposals in the expectation that if this fund was created, it would help to modify the composition of official reserves by converting currency reserves into SDR reserves; this would also make it possible to enhance the role of SDRs as an international reserve instrument and would be condusive to a lower role of fluctuation in exchange rates with obvious advantages for balancing external accounts and development financing in developing countries.

(3) The second ACP-EEC Lomé Convention

74. On the whole, the second ACP-EEC Lomé Convention, signed on 31 October 1979 is a re-adjusted and updated form of the first Convention. Hence only the main results of the negotiations will be discussed here.

75. In the field of trade co-operation, the conditions of access to the EEC market were improved for certain products. Wider objectives were set for trade promotion and special arrangements concerning certain "sensitive" commodities were liberalized.

76. The scope of application of STABEX was widened, resources were increased, the procedure for rules of origin was relaxed and the conditions for the replenishment of STABEX resources were modified and made more precise.

77. Similarly, a new system known as the mining or "SYSMIN" system was introduced covering a limited number of mineral products which aims at solving some specific problems affecting supplies and exports to the Community.

78. Note should be taken of the interest shown in the development of the agricultural sector in relation to the establishment of a technical centre for agricultural and rural co-operation.

79. Apart from the results mentioned above, it should be noted that African and other ACP countries felt greatly frustrated by the fact that the Community did not ultimately manage to adopt a positive attitude to their legitimate demands concerning unlimited access for their agricultural products to the European market since the amounts involved are so negligible and greater liberalization of the structure of the rules of origin for their semi-manufactures.

80. Neither STABEX nor the system for mineral products meets a large number of the major concerns of the ACP group. The ACP economies which depend largely on the export of services, still do not have a guarantee clause which would protect them from fluctuations in their export earnings. Even the field of mineral products, where one should see some improvements, always fails to take into consideration the major concerns of the ACP States.

81. Yet another point of no agreement is that the total volume of aid in real value is less in per capita terms than that granted under the first Lomé Convention.

82. In conclusion, it will be noted that industrial co-operation on which much greater emphasis was placed in the new Convention, than the case in the first Convention, might prove unoperative in the absence of adequate financial resources.

(4) Economic co-operation among developing countries (ECDC)
African Regional Meeting

83. This meeting which was held in December 1979 at Addis Ababa, in implementation of the Arusha Programme recommendations evaluated the studies conducted by the UNCTAD secretariat in the following three fields of global ECDC priorities:

- Global system of preferences among developing countries;
- Co-operation among State trading organizations;
- Establishment of multinational marketing enterprises.

84. The meeting also examined appropriate policies and strategies for strengthening integration and economic co-operation among developing countries at the subregional, regional and interregional levels.

85. The meeting adopted recommendations with a view to defining an African position on the above questions and proposed a strategy for interregional meetings on economic co-operation among developing countries. These recommendations are based on the spirit of the Arusha Programme.

(5) Generalized system of preferences (GSP)

86. Since its establishment in 1968, GSP has not been substantively revised. But during the current period of operation of the system, the various national schemes of preference-granting countries have been amended on the basis and in the framework of certain fundamental principles.

87. Indeed, tariff preferences are temporary and non-mandatory in nature which enables preference-granting countries to withdraw them in whole or in part. The application of GSP is still optional and not compulsory.

88. Thus, the list of commodities covered is fixed and may be modified unilaterally by each country. A country has the power to resort to the safeguard mechanism and to take measures of temporary exclusion, or a priori limitation, or set ceilings and maximum amounts for each beneficiary country. Similarly, the magnitude of tariff reductions, particularly with regard to agricultural commodities, is determined in a sovereign fashion by the preference-granting country. This is also the case with the rules of origin which vary from one scheme to another and with the special measures for the least developed countries. The principles of non-discrimination and non-reciprocity are in practice hardly observed; some countries have not recognized all developing countries as beneficiaries and others make admission to the preferential system conditional on a certain degree of reciprocity or a certain type of behaviour.

PART TWO

Assessment of the impact of international negotiations on African development and elements of a new strategy

89. Part two, section one, aims at reviewing to what extent the main results of the major international negotiations outlined above have contributed to African development or are likely to do so.

90. The lessons to be drawn from the picture emerging from the analysis will then be discussed before proposals are put forward which should be taken into account in drawing up a strategy that could either be adjusted or completely formulated as the need arises.

Section I

Assessment of the impact of the results of international negotiations on African development

A. The fifth session of the United Nations Conference on Trade and Development

(1) Failure to reach agreement on basic issue

91. The fifth session of the Conference was a big failure in terms of the basic issues i.e. those relating to the restructuring of the international economic order. Radical differences arose between developed and developing countries because of their obvious conflicts and opposing interests in respect of all proposals on policies and measures aimed directly or indirectly at a restructuring to promote the establishment of a new economic order.

92. Thus, as pointed out in the first part of this document, the Conference reached no agreement on the five fundamental points which are of ca linal importance to developing countries in general and to African countries in particular.

93. Given the serious way in which existing structures in the five fields continue to hamper development efforts in Africa, the least that can be said is that the categorized refusal with which the developed countries responded to the restructuring proposals of the Group of 77 reflects their total lack of political will to, any changes.

(2) Limited agreements in a few specific fields

94. After having succeeded in making the Conference a total failure on fundamental questions as mentioned above, the developed countries then gave way by granting generally minor concessions in a few specific fields.

95. To begin with, it should be emphasized that when the Conference took its decisions on these questions in most cases the developed countries abstained, sometimes some of them held opposite views, and they generally expressed reservations on some provisions of the relevant resolutions. On the other hand, it should be noted that the decisions in question were mainly of a procedural nature, relating to studies to be conducted or meetings of expert groups or in other words decisions whose positive impact on African development is usually not obvious or even when it is, whose impact can generally be felt only in the long term and by what is quite a limited number of countries.

96. Thus, the resolution adopted in the field of international trade on protectionism does not lay down any mandatory regulations and does not set forth any concrete measures which the developed countries should apply in order to lower or remove the customs barriers which they have instituted particularly against entry into their markets of industrial exports from the few African countries which export such products.

97. Similarly, with regard to structural adjustments to achieve a restructuring of world industry, the resolution adopted "entrusts the Trade and Development Board to organize in an appropriate existing body a review of patterns of production and trade in the world economy". The results of the review would be taken into account by national governments.

98. With regard to commodities, the agreement reached between Group B and the Group of 77 which resulted in the resolution on the Integrated Programme for Commodities is based on the same kind of idea. Thus the resolution makes mention of meetings of the Interim Committee and the United Nations Negotiating Conference on a Common Fund but makes no mention of the capital of the envisaged fund. Similarly, the resolution does not institute any complementary facility for the commodity-related shortfalls in export earnings but merely requests the Secretary-General of UNCTAD to conduct a detailed study on the operation of such a facility.

99. The same approach marks resolutions adopted in other specific fields such as the restrictive business practices on which it was decided to convene a conference; monetary and financial problems, whose study was entrusted to an ad hoc intergovernmental group of experts; technology, on which the Secretary-General was invited to conduct studies concerning industrial property strengthening the technological capacity of developing countries, and reverse transfer of technology; however, with regard to the transfer of technology, no decision was taken on the adoption of a draft mandatory international code of conduct which has been in suspense for some years now. With regard to shipping some progress has been made in as much as percentages were fixed for cargo transport. However, no concrete measures for implementing these decisions have been taken. Rather the resolution adopted requests the Secretary-General of UNCTAD to undertake a programme of studies concerning the bulk cargo transport among developing countries and the possibilities of expanding their bulk fleets.

100. Some progress has certainly been made in three other specific fields, namely: the least developed countries for which an emergency programme has been drawn up; the land-locked countries and island developing countries for which action has been recommended which is specific in name only; economic co-operation among developing countries, for which the developing countries and the multilateral financial institutions have been urged to support and assist, etc.

101. It must, however, be stated that the measures recommended are generally characterized by a lack of precision, lack of implementation modalities and the emphasis on compromise solutions of a procedural nature which leave the substantive aspects of the questions untouched.

B. Other international economic negotiations

(1) The Tokyo Round of Multilateral Trade Negotiations (MTN)

102. Multilateral trade negotiations have been disappointing in relation to the hopes that the Tokyo Declaration aroused.

103. On the one hand, because the negotiations were almost of a semi-official nature, African interests could not be taken duly into consideration. On the other, the special and differential treatment provided for developing countries is left to the discretion of developed countries and this makes for uncertainty and haphazard implementation.

104. African countries will also see the preferences they enjoy under GSP and other special preferential treatment systems erode as a result of MTN reductions in MFN tariffs. No provisions have been made to compensate African countries for the loss of these benefits.

105. In view of the foregoing, the MTN cannot be expected to promote the expansion of African trade, let alone, promote African development. To the contrary, the few tariff and non-tariff concessions made through the MTN will apply only to an insignificant number of African products and thus will not solve the problem of access to developed country markets for African products. Then again, these concessions will apply only to the very limited quantities of such products which African countries have.

106. With regard to the differential and more favourable treatment to be accorded to developing countries, the results of the MTN fell short of the expectations of African countries despite the fact that, with the exception of the import license code, all the codes on non-tariff measures have separate chapters on the subject of differential and more favourable treatment for developing countries. The disappointment of African countries stems from the fact that in these codes such treatment is considered as a waiver of normal obligations or a moratorium on them.

107. In the area of special treatment to be accorded to least developed countries, the latter submitted a special protocol on the subject but it has not been approved, only general provisions that do not include any specific commitments were adopted with regard to the special treatment to be accorded to this category of countries.

(2) Reform of the international monetary system

108. The second amendment to the statutes of IMF brought a semblance of reform which failed to provide an effective solution to many of the problems that devil African countries including those relating to support for their balance of payments and fluctuations in commodities prices.

109. Regarding the IMF compensatory financiag facility, for examnle, it should be noted that from 1966 to 1975 only four African countries (Egypt, Zaire, Zambia and Burundi) benefited from this facility to the extent of 109 million SDR. This is a result of the rigidity and conditionality which characterize the operations of the facility.

110. The requests made by African countries for improvement, particularly greater product coverage so as to include food deficits have not been taken into consideration.

111. Even though it was established on the initiative of African countries in 1969, the buffer-stock financing facility, has to date, benefited only one African country - Nigeria. Once again, the fact that recourse to this type of facility is subject to balance of payments requirements as well as to the old ceiling for drawings fixed at 75 per cent of country quotas has been a major obstacle for African countries in the use of both the compensatory financing facility and the buffer-stock facility.

112. African Governors of IMF have never hidden their disappointment at the way in which the problem of the stabilization of commodity prices has been treated, but the second amendment has in no way improved the access of African countries to these facilities.

113. With regard to IMF capital flows the situation is even more deplorable. Owing to the principle linking SDRs to reserves, non-oil-exporting African countries, whose share of the Fund's total capital stands at only 1 per cent, are entitled to only 4 per cent of total quotas which provide the basis for the allocation of SDRs. This is one of the reasons why the resources that the Fund provides for non-oil-exporting African countries are inadequate.

114. The second amendment provided for a review of quotas which has not yielded satisfactory results for African countries. To date, African countries continue to request a further review as part of a thorough reform of the international monetary system which will make it possible for them to face the special difficulties that Africa is experiencing with regard to adjustment at the international level inflation, international liquidity and the transfer of real resources to developing countries.

115. In conclusion, it can be said that certain elements of the international monetary and financial system have effects that are adverse and even contrary to Africa's development requirements. In the negotiations that have taken place, Africa has not been able to secure in the international monetary system those substantial improvements that would promote its development. The most recent annual meetings of IMF and IBRD which were held in Belgrade in October 1979 and at which African countries were unable to suppress the concept of conditionality in the use of IMF resources bear this out.

(3) The second ACP-EEC Lomé Convention

116. From the point of view of the contribution which they are likely to make to the development of Africa, the results of the negotiations which led to the signing of this Convention can be analysed as follows.

117. It should be pointed out, first of all, that the African and other ACP countries deplored the fact that EEC did not accept the main proposals for improvement which they had put forward so as to remedy weaknesses and gaps in the first Convention. However, the application of the first Convention clearly brought out the fundamental fact that although some positive, and best limited results had been achieved in the implementation of STABEX, the same could hardly be said for trade, industrial and financial co-operation. 1/

1/ See document E/CN.14/ECO/152 by the ECA secretariat, entitled: "Negotiation on a new co-operation agreement between the ACP States and the European Economic Community" 1978.

118. With regard to trade co-operation, tariff preferences have not led to a rapid increase in EEC imports from the ACP States, slowing down the decline of their relative share of the Community market. Indeed, the extension of preferential treatment to other countries has meant a constant erosion of the tariff margins enjoyed by African and other ACP States. However, EEC has declined to envisage, in the new Convention, fair compensation for the loss of trade benefits suffered by this group of countries.

119. Contrary to trends in preferential exports from ACP countries to EEC countries, an increasing volume of products from the community are being exported to ACP States despite the fact that the system of reverse preferences has been abandoned.

120. With regard to STABEX, it is significant to note that in 1975 barely 18 ACP countries benefited from financial transfers and then in connexion with 9 categories of commodities only. For the 1976 financial year, funds, allocated under the system were only slightly more than half the transfers made in the 1975 financial year. Furthermore, only 13 ACP countries benefited and the number of commodities involved rose to 14.

121. The "mining STABEX" which was introduced in the new Convention does not solve these problems because the main aim of the system is to deal with certain specific difficulties in the supply and export of certain mineral products from ACP countries to EEC

122. Financial and technical co-operation has been weak to the extent that out of the 3.39 billion European units of account EEC had pledged to earmark for co-operation (including 375 million for STABEX) actual assistance from the community (including transfers under STABEX) amounted to only 36 per cent of the total amount indicated above. Under the new convention, the increase in funds for financial co-operation has been particularly inadequate. ACP States expressed their profound disappointment in this regard since EEC refused to provide the minimum amount that they had requested. It should also be borne in mind that a substantial portion of the funds in question flow back to EEC countries not only through the employment of technicians but also through the purchase of goods and services.

123. With regard to industrial co-operation, it should be noted that, according to information available, the Centre for Industrial Development has contributed to the implementation of a limited number of projects for establishing industrial planst in all African countries and other ACP countries.

124. To conclude, it appears in the circumstances that the second Lomé Convention can hardly be expected to make a notably more significant contribution to Africa's development than its predecessor, of which it is in fact only a revised version.

(4) Economic co-operation among developing countries: African regional meeting

125. ECDC is a relatively new area for African action and initiatives. No concrete and factual appraisal can therefore be made of the impact of such actions on the development of the region.

126. Nonetheless, ECDC can contribute in no small measure to African development and the possibilities are worth exploring. For example, the three global priority areas mentioned in part I of this document offer possibilities for joint action which could speed up progress towards collective self-reliance at the interregional level among developing regions and countries.

127. It should also be borne in mind throughout these negotiations which are only just beginning that not only is Africa the developing area which has by far the greatest number of least developed countries but also that Africa, on the whole, is in comparison with the other two regions, the least developed region of all.

128. Care will therefore have to be taken not only to bear this essential fact in mind but also to prevent this state of relative underdevelopment from continuing or from developing to the benefit, so to speak, of economic co-operation among developing countries. Furthermore, it appears essential to ensure that the consolidation and strengthening of intra-African co-operation at the multinational, subregional and regional levels is given the priority it requires, i.e. the higher possible priority in relation to interregional potentials, which are as interesting and as full of promise as can be.

(5) The generalized system of preferences (GSP)

129. The GSP, in theory, offers substantial possibilities in terms of access to the markets of developed countries for certain products from African countries. A few African countries, particularly those in the North African subregion, have been able to take advantage of the various preferential schemes offered by developed countries because, in addition to the agricultural and fish products covered, the North African countries have a greater capacity for exporting manufactured and semi-finished products. The GSP has actually benefited countries with such varied levels of development as Egypt, Ghana, Kenya, Morocco and the Ivory Coast.

130. Under a number of the schemes offered by granting countries, exports from African countries under the preference system represent all the imports that preference-granting countries can admit from such African countries under the most-favoured-nation clause. This for example, is the type of scheme that Finland offers for most-favoured-nation imports from the Ivory Coast, Kenya, Ghana and other countries.

131. In spite of these possibilities, very little use is made of GSP by African countries. The main reason for this is that the list of products admissible under the preference scheme is composed largely of products that Africa does not have or of which it exports bye very little, whereas the system exludes those items that the region produces for exports and in quantity.

132. Furthermore, some preference-granting countries have not hesitated to use the safeguard mechanism escape clause to restrict or exclude admissible imports from African countries. Such action has been taken against African textiles, which are considered "sensitive" products. Such measures including a priori restrictions based on tariff quotas, ceilings and maximum amounts by country have reduced considerably the volume of preferential imports from Africa.

133. It can be concluded that although GSP may offer African countries benefits that could help to expand their trade in industrial exports, the possibilities are in fact limited and at times nullified by the defects in the system.

134. In these circumstances, GSP cannot be said to have stimulated industrial production and promoted industrialization in Africa since most countries in the region do not use the system and those which do so do not exceed a utilization rate of 10 per cent.

135. It is also significant to note that the requests made by African countries for improvements in GSP have gone unheeded by preference-granting countries whether the proposals related to an increase in product coverage, extension of preferential duty-free admission for all industrial products from African countries, or general liberalization of a priori and other restrictions or the harmonization and simplification of rules of origin.

136. African countries have also made proposals concerning the retention and prolongation of the system for a further 10 years as well as the introduction of a mandatory legal element in the system, but the developed countries have not reacted to them.

Section II

...ged to review the strategy and tactics followed to date

137. From the sectoral analysis of each of the recent or outgoing major international economic negotiations, it has emerged quite clearly that the African region taken as a more distinct whole than the other developing regions has derived from all these negotiations benefits which at best can be described as minimal. In other words, it is clear that, with few exceptions, these negotiations have not yielded any positive benefits and hardly appear to have been designed to have a favourable impact on the economic development of the region and in particular on the development of the most disadvantaged countries which are of course the overwhelming majority of countries in the region.

138. In the light of this failure, the question must arise as to whether the strategy and for that matter the tactics that have been followed to date in the negotiations as outlined above, should not be revised.

139. Within the scope of this report which is of necessity limited, a number of premises must be questioned since from all available evidences they seem to have been the basis for the negotiating strategy and tactics pursued to date by the Group of 77 in in general and by Africa in particular.

140. The main premise although less and less favoured by Third World thinkers and countries, is the belief that the benefits which developing countries might derive from participating in the international negotiations reviewed above are likely to have multiplier effects on the growth of their economies or actually constitute the very engine for their very socio-economic development.

141. In addition to this basic premise, which is founded on the notion that socio-economic development can be achieved mainly through outward looking growth, there are others such as the idea that financial or technological "transfers" from developed to developing countries are key factors which only have to be available in sufficient quantities to promote development.

142. Yet another important premise which seems to run counter to the most basic experience is that developing countries, except those which for some years now have been classified as least developed, are practically equal with regard to their capacity to take advantage of the general resolutions adopted at such global conferences as those of UNCTAD or IMF. It seems to be taken for granted that developed market economy countries would not need to agree to abolish or to mitigate protectionism measures which impede the access to developed country markets of manufactures from the Third World, if they ever decide to do so, for African countries effectively to be in a position to produce these goods and export them to the developed countries.

143. One other premise that needs to be questioned is that a radical solution to the debt problem would be to ask developed countries either to alleviate debt services, by granting moratoria, interest rate reductions and other such measures or even to cancel the debt whereas in fact there is a constant drain of foreign reserves to the outside world in payment for goods that it would be possible to manufacture or services which could be obtained either in the country itself or in neighbouring countries. 2/

144. Last but not least among the premises is the assumption that the role of developing countries in general and of Africa in particular at the type of international negotiations analysed in this document should be and only is to beg and count on the goodwill and the spirit of equity and brotherhood of developed countries in order to obtain something.

Section III

Elements of a new strategy

145. In spite of the structural changes that have been made in national economies within the last two decades, the fact remains that Africa's economy today is still on the whole basically underdeveloped. The preliminary projections that have been made show that if current trends continue and if no fundamental changes occur in the policies pursued by Governments over the last two decades, Africa's economy would be in a sorry state by the year 2000. At a time when North-South economic relations are visibly at a standstill and the major international negoitations at which they are discussed hardly seem likely to have the desired impact on the socio-economic development of the region, it would appear extremely imperative and urgent for African countries to re-think the strategy and tactics which they have pursued to date in international negotiations.

116. An appropriate and useful starting point is the need for Africa to redefine its approach to the new international economic order. First there must be the conviction or continued conviction not only in principle but also and above all in practice that there can be no new international economic order and even if there is it could hardly be of full benefit to the region as a whole and in particular to the most disadvantaged countries in the region if that new international economic order is not accompanied and even preceded by a new African regional socio-economic order and this in turn, to be viable, would need to be based on a new nationla subregional socio-economic order.

147. In short, a real African strategy in the field of international economic relations should be part and parcel of the African strategy for the establishment of the new African socio-economic order mentioned above. Better sill, the former should serve to establish the latter.

148. This means in particular that, however useful it would be to improve the international economic environment within which African countries are endeavouring to implement their development policies, these policies should first of all be based on the internal needs and socio-economic realities of the continent. It should be clear that the region's varied resources and potentials including its markets should be used and exploited as a matter of priority before any recourse to aid on foreign assistance is considered.

2/ ECA secretariat study entitle: "External debt problems: possible impact on the African countries of the recommendations of the first Ministerial session of the Trade and Development Board" (E/CN.14/ECO/153).

149. In other words, the development engine should come primarily from within, at the national, subregional and regional levels. This of course does not mean that there is to be no room for significant participation in international trade or in the major international economic negotiations of the type that have been analysed in this document. Rather, Africa should participate with a clear mind as to its global and sectoral objectives, which should outweigh other considerations and to whose attainment international trade and economic relations should provide an additional contribution on the basis of very selective criteria.

150. All this means that the old adage that "Africa produces what it does not consume and consumes what it does not produce" has to be refuted or at least become less true than it is today. To do this, collective self-reliance must be developed not only at a national level but also at the subregional and regional levels.

151. From the foregoing, it is clear that a new African strategy in international economic relations should reverse present trends, and accord the highest priority to a systematic well-planned policy for expanding intra-African trade as an instrument not only for the required diversification of trade 80 per cent of which now takes place with developed market economy countries but more importantly for self-sustained growth. 3/

152. Only when the possibilities and potential of intra-African trade and in a broader sense of intra-African economic co-operation are used to best advantage as a matter of priority should thought be given to using the possibilties and potentials that are offered to a greater or lesser extent and in various ways by economic relations with other developing regions, the Socialist countries of Eastern Europe and, of course, developed market economy countries themselves.

153. Contrary to accepted theories, which fortunately are being broken down, there is no doubt that Africa has important trump cards to play against those of its partners in the global game that is being played and that Africa could reap great benefits if it plays its cards well. This implies among other things that Africa should be able to identify and assess both of its assets and those of its partners correctly and should make no mistake about the nature and priority of the objectives to be attained which moreover should be defined much more precicely than is now the case in UNCTAD for example.

Final remarks

154. The foregoing analysis as well as the conclusions and proposals drawn from it are by no means exhaustive, nor are they by any means the only ones that can be put forward in the context of Africa's participation in recent or ongoing major international economic negotiations and more broadly speaking of the role that Africa as a whole plays in international economic relations.

3/ See ECA study "Draft Programme of action for inter-African trade expansion (E/CN.14/765 - E/CN.14 WP.1/122)

155. They are simply aimed at drawing attention once again to the need for African countries to work out a new strategy for international negotiations that is founded on the real requirements and potential of the region as well as on the need to establish an appropriate machinery for the proper preparation of such negotiations at the national, subregional and regional levels. For, in the final analysis, the outcome of negotiations on the establishment of a new international economic order will certainly depend on the knowledge that both parties have of their own and their partners' objectives the preparations made by each country or group of countries, how they participate in the negotiations and what can reasonably be expected from them. In this regard, the negotiations should focus on practical, precise and if possible quantified needs so as to meet to the socio-economic policy objectives of African countries. 4/

4/ For more detailed proposals, see ECA secretariat document entitled: The African region and international negotiations E/CN.14/700, E/CN.14/ECO/158, 4 December 1978.